

PRIME MINISTER

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UNIVERSITY EFFICIENCY

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Two reports will be published next week which are important milestones in your Government's attempts to improve value for money in British Universities. On Monday, Sir Alex Jarratt's Steering Committee for efficiency studies in universities will release its report. Later in the week, the Open University will publish a scrutiny report about economies and savings. They will stir up strong passions. In view of the involvement of the Efficiency Unit I believe I should warn you of this even though the action falls to Keith Joseph.

2. At Keith Joseph's request, I have been a member of the Jarratt Committee, and, as my alternate, Ian Beesley has put in a great deal of time and effort to keep the Committee focused on universities' need to adapt, to manage change, and actually achieve improved efficiency. The studies on which the Jarratt Report is based have all been carried out on the scrutiny lines as established by Derek Rayner.


3. The reports amount to a powerful call for the individual academic to work for the good of the whole, and for the institution to have the strength to shape its future selectively by backing the excellent rather than the mediocre, the relevant rather than the less necessary. The Jarratt report is also critical of government for not providing broad policy guidelines within which the universities can plan.

4. The Jarratt Committee will release the attached briefing with its report. I would add only two glosses. First, I believe that the Jarratt work has itself started to change the culture in a beneficial way; that now needs to be built upon - especially as I have been struck by the immense complacency of many (but not all) universities. The report must be implemented and, through the UGC, which needs to be strengthened, the funding of any single institution must be linked, in part, to its implementation of the findings. The savings possible from applying each of the special studies in every university must be realised.

5. Second, the evidence is that change has to be imposed on individual universities. I believe that points to maintaining persistent pressure through public expenditure plans. The temptation may be to administer another short sharp shock, as in 1981, but I do not recommend that. Such a course would confirm the universities in their bad practices - which often stem from a reactive and crisis-ridden approach to management. It is likely to prevent the steady fundamental change that is needed.

6. The Open University report is a simpler document but it too points to a crucial gap at the centre of the university which prevents the proper bringing together of academic aspirations and resources. Specific savings worth £1.5 million in 1985, rising to £2.5 million in 1986 are identified and the University's relationship with the BBC is pin-pointed as unsatisfactory.

7. I am copying this to Keith Joseph.



ROBIN IBBS
29 March 1985

CCND



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FROM THE SECRETARY OF STATE

Andrew Turnbull Esq
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2 April 1985

OR/cf
I take it the PM is laying
down to this. For assistance with
PPRS ideas by
energy.
MCA 3/4
- with TF/PM

Dear Andrew,

UNIVERSITY EFFICIENCY

My Secretary of State has seen Sir Robin Ibbs' minute of 29 March to the Prime Minister on this subject. He is clear that the Jarratt Committee report has important implications for the Green Paper on higher education, and will minute his colleagues on the subject after Easter.

One small point arises from paragraph 6 of the minute. The OU report makes clear that the specific savings referred to fall well short of bridging the gap between what the OU needs in order to maintain its present level of operation and the proposed funding by Government. The University will have to find a further £4m by 1986 through economies elsewhere.

I am copying this to Sir Robin Ibbs.

Yours,
Elizabeth

MISS C E HODKINSON
Private Secretary

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EMBARGOED UNTIL 4 PM ON 1 APRIL 1985

EXECUTIVE SUMMARY AND PRESS BRIEFING

JARRATT COMMITTEE REPORTS ON EFFICIENCY IN UNIVERSITIES

Good universities are vital to Britain's cultural life and prosperity. Preservation and nourishment of that which is best must be a national priority; but no one, inside or outside the system, can assume that the resources to do this will automatically be available in ample measure. Like everyone else universities need to be selective to put to best use the resources they command. This means adapting to cope with uncertainty and being willing to take hard decisions. Failure to face up to these needs will squander their strength and their future.

Excellence in the universities must be pursued realistically and have regard to the calls made on public funds. Only a minority of the population benefit directly from a university education, yet individually they contribute significantly to the cost of our universities through taxation. They must be assured that their money is well spent.

The need is to ensure that universities, collectively and singly, have clear and appropriate objectives and that the individual institutions achieve the maximum value from the resources made available to them.

For this they must have the necessary structures and the will to succeed despite the inevitable economic pressures and uncertainties. They must be helped by those responsible for the bulk of their funding. Government and the UGC have responsibilities to the universities as well as vice versa.

We are in no doubt that, for the foreseeable future, money will be scarce compared to aspirations. The Public Expenditure White Paper indicates that state funds will rise marginally less than the general rate of inflation it predicts. Some extra income can probably be generated from research and other work for business and this must be encouraged. But the universities will face hard choices as they work within limited funds and seek to preserve excellence.

In 1981 Government reduced funding for universities by 17% over 3 years; all were affected but some more than others. There was little warning and for the first time in many years the financial and academic priorities of a university were potentially in conflict. The management structures found it hard to cope. Reductions tended to be spread across departments more or less pro-rata or taken opportunistically as chances presented themselves. The State provided extra money to fund a premature retirement scheme which was intended to be used selectively, but subsequent indications are that it was not always used to best effect.

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The way the crisis was managed left some institutions weak and most out of balance.

It is in the planning and use of resources that universities can improve their efficiency and effectiveness. Our proposals are intended to reduce the risk of harsh unexpected cuts being imposed and to safeguard the responsible community of scholarship. It is quite unrealistic to envisage a return to some golden age of rapidly rising state funding. Our recommendations are constructed as a package to provide the foundations of policy, resource allocation, delegated responsibility and accountability which must underpin academic judgements. Only in this way can academic freedom be preserved. We address these recommendations to Government, to the University Grants Committee, and to the universities themselves.

We recommend that Government should:

- provide broad policy guidelines within which the UGC and individual universities can undertake strategic and long term planning;
- consider what action can be taken to restore a longer funding horizon for universities in view of the disincentives to strategic planning inherent in the present system;
- avoid thrusting crises on universities through sudden short term changes of course;
- be prepared to provide funds to meet the whole or the greater part of the realistic cost of future staffing reductions agreed between individual universities and the UGC;
- commission an examination of the role, structure and staffing of the University Grants Committee.

We see a need for the University Grants Committee to:

- provide and make known its views about the prospects and directions for higher education;
- increase the frequency and scope of informal and confidential discussions between individual Vice-Chancellors and the UGC Chairman and Sub-committee Chairmen;
- encourage further inter-institutional collaboration;
- agree with each university within the next 12 months a programme for implementing the recommendations in this Report and the relevant findings of the Special Studies, and to take progress into account when allocating grants.

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We recommend that the UGC and CVCP jointly should:

- develop a range of performance indicators, covering inputs and outputs, designed for use within individual universities and for making comparisons between institutions.

We recommend all universities examine their structures and develop plans within the next twelve months to meet certain key requirements. These are spelt out in detail in the report and include:

- Councils to assert their responsibilities in governing their institutions, notably in respect of strategic plans to underpin academic decisions, and structures which bring planning, resource allocation and accountability together into one corporate process linking academic financial and physical aspects;
- Senates to continue to play their essential role in co-ordinating and endorsing detailed academic work and as the main forum for generating an academic view and giving advice on broad issues to Council;
- developing a rolling academic and institutional plan, which will be reviewed regularly and against which resources will be allocated;
- recognising the Vice-Chancellor not only as academic leader but also as chief executive for the university;
- establishing a planning and resources committee strictly limited in size reporting to Council and Senate with the Vice-Chancellor as Chairman and with academic and lay members.
- budget delegation to appropriate centres which are held responsible to the planning and resources committee for what they have achieved against their budgets;
- developing reliable and consistent performance indicators, greater awareness of costs and more full cost charging;
- appointing Heads of Department by Councils, on the recommendation of the Vice-Chancellor after appropriate consultation, with clear duties and responsibility for the performance of their departments and their use of resources;
- introducing arrangements for staff development, appraisal and accountability;

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- saving academic and other time by having fewer committee meetings involving fewer people, and more delegation of authority to officers of the university - especially for non academic matters.

We do not dispute that the introduction of these changes will be a difficult process. We have considered whether they would stifle creativity or otherwise damage the vitality of the universities. We believe not. On the contrary, we believe that unless a university pays attention to these matters it is in danger of drifting and ceasing to be able to determine its own future. We stress that universities are first and foremost corporate enterprises of excellence to which individuals within the institution are responsible and accountable. Failure to respect this wider duty will undermine their future survival.

ALEX JARRATT